

‘WINdiana’

Hoosiers claim the 2003 Competitiveness Award.

Years of championing his state as a top location for business and industry have paid off for Indiana Gov. Joe Kernan in the form of *Site Selection* magazine's 2003 Competitiveness Award. As Lieutenant Governor until 2003 — when he took over as governor following the sudden death of Gov. Frank O'Bannon — Kernan personally oversaw Indiana's economic development agenda, taking every opportunity to showcase the Hoosier State's commitment to attracting capital investment.

The Competitiveness Award, now in its second year, is based not on subjective impressions of a development agency's success, but rather on 10 quantifiable criteria for measuring business-expansion activity that took place in the previous calendar year. Most of the criteria are related to Conway Data Inc.'s proprietary New Plant database, which tracks new and expanding corporate facilities and is the basis of *Site Selection's* annual Governor's Cup award, which recognizes the state with the highest number of new projects (see the March issue for coverage of that award). Projects qualifying for inclusion in the database meet one or more of these criteria: a minimum capital investment of US\$1 million, generation of 50 or more new jobs and new floor space of at least 20,000 sq. ft. (1,860 sq. m.).



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How to Compete

Among the 10 criteria used in the indexing system are four per-capita measures. These help ensure that all states — the heavily populated, such as California, and the less-populated, such as North Dakota — have the same shot at competing for the award. The criteria used are:

- Total new and expanded facilities per one million population in 2003;
- Total capital investment in new and expanded facilities per one million population in 2003;
- Total new jobs created at new and expanded facilities per one million population in 2003;
- Total actual number of new and expanded facilities in 2003;
- Percentage growth in new and expanded facilities from 2002 to 2003;
- Three-year growth change (from 2000 to 2003) in new and expanded facilities;
- Ranking in *Site Selection's* annual business climate survey;
- Number of top 100 metros in the annual ranking of top metros;
- Number of top 100 small towns in the annual ranking of small towns; and
- Number of 100-plus-job projects per one million population in 2003.

States must rank in the top 20 of a given category in order to be a candidate in that field. The top 20 states in each category are given points accord-

Top Ten Competitive States

State	Total Points
Indiana	146
Kentucky	114
Texas	111
Illinois	102
Ohio	99
Iowa	96
New Mexico	88
New York	80
Virginia	80
Tennessee	79

ing to their rank, with the top state getting the most points. The competing states' total points are then added together for a final score. The top 10 states are listed in the box.

How to Win

"I would point to the bipartisan efforts in 2002 and 2003 to restructure Indiana's business tax system to make us a more attractive place in which to make investments and create jobs," says Gov. Kernan. In 2002, the gross receipts and inventory taxes were eliminated, and the research and development tax credit was increased from 5 percent to 10 percent.

In 2003, the state made what Kernan calls "unprecedented investments" in job creation activities. These included a US\$75-million investment in Indiana's 21st Century Research and Technology Fund, creation of a venture capital tax credit and funding for certified technology parks, which were created in the 2002 legislative session.

"We did all this during very difficult times in Indiana and around the country," Kernan notes. "We are the only state to make these kinds of decisions — to go on offense instead of cutting back in those areas. We decided our future was in making investments as opposed to making cuts. This was a way for us to do what was best for Indiana and Hoosier workers, and it also ended up being a significant differentiation from what was happening in other states in these tough times."

Automotive industry projects helped generate hundreds of jobs in Indiana in 2003, with **DaimlerChrysler's** \$378-million transmission plant in Kokomo bringing the auto manufacturer's investment in its Kokomo operations to \$674 million.

"We view that as an expression of confidence in Indiana workers, especially in Kokomo," says Gov. Kernan. Other automotive projects include **Vis-
teon Automotive's** Connorsville expansion and an expansion of the **General Motors** Metal Fabricating Division facility in Indianapolis.

Roche Diagnostics announced a \$135-million investment in its Indianapolis headquarters, which will add up to 600 new jobs to the existing payroll of 2,150 over the next several years. South Carolina and Pennsylvania com-



peted for the investment. That's just one project amid a bevy of successful pharmaceutical, medical device and healthcare companies that include **Eli Lilly** (and its continuing multifaceted expansion in Indianapolis) and the trio of DePuy Manufacturing, Zimmer Holdings and Biomet that make Warsaw, Ind., the "Orthopedic Capital of the World."

That status was boosted into the stratosphere in early April 2004 when **Zimmer** announced it would invest \$64 million through 2007 in expanding its existing office, manufacturing and distribution capacity by approximately 200,000 sq. ft. (18,580 sq. m.) Local payroll is expected to increase by more than \$15 million by the end of 2005, with 400 jobs added by 2007.

"Zimmer is just one of the reasons that Indiana stands on solid ground in the life sciences industry," Kernan said at the announcement. "These are the jobs of the 21st century — high-wage, high-tech positions that put Hoosiers on the cutting edge of innovation."

Crucial to the decision was a \$10-million, 10-year incentives package

"The availability of State of Indiana incentives was a significant positive as we considered how and where to focus our global resources," said Ray Elliott, Zimmer chairman, president and CEO.

Zimmer is still deciding whether the manufacturing expansion will be through the purchase of an additional facility or through additions to existing facilities. Construction on a distribution center addition begins in May 2004.

Another distribution center is going in not far away in Kendallville, where **Performance Food Group** will open a new 201,000-sq.-ft. (sq.-m.) distribution center that will generate 288 new jobs by 2007. The nation's fastest-growing food distributor will target its eighth customized distribution facility toward serving its casual dining restaurant customers. The project benefited from a \$1.2-million incentives package that was backed by local improvements to water, sewer, road and rail amenities.

"Adding a facility in the Midwest will help us to maximize our transportation efficiencies and ensure continued superior service for our customers," said PFG CEO Tom Hoffman at the October 2003 announcement.

But how will Indiana ensure superior performance going forward? Gov. Kernan maintains that the key to future competitive success lies in cultivating a closer relationship with the state's colleges and universities. In fact, a plan calling for increased engagement in economic development activity on the part of the higher education community has been under way for several years.

"One of our great strengths is our outstanding public and private institutions of higher learning," he relates. "Our colleges and universities have recognized that there are opportunities for them to be able to work with the private sector to provide expertise, equipment and graduates, all of which can help Indiana's economy. A strong Indiana economy is in their best interest, too."

This effort gained new momentum with the creation of the 21st Century Research and Technology Fund, where the state awards funding to university research projects that require a private-sector partner. Zimmer, among other companies, has participated in such projects.

"Taking advantage of these two sectors of our economy has been and will be the most significant change in the way we view economic development and job creation in the future," says Gov. Kernan.

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